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C O N F I D E N T I A L SECTION 01 OF 02 WARSAW 001086

SIPDIS

EB FOR DOUG HENGEL; EUR FOR MATT BRYZA

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TAGS: [ENRG](#) [ECON](#) [EPET](#) [ETTC](#) [IR](#) [PREL](#) [PL](#)

SUBJECT: NO TO IRAN DEAL FOR NOW; BUT WHAT NEXT ON ENERGY  
SECURITY?

REF: A. SECSTATE 95257

[B](#). WARSAW 806

[C](#). WARSAW 845

Classified By: Classified by DCM Quanrud for reasons 1.4 (b) and (d).

[1](#). (SBU) EEB DAS Doug Hengel met the week of September 8 with government officials and leadership of the state-controlled oil and gas company (PGNiG) and was assured that no energy deal with Iran was imminent. All agreed on the importance of ensuring that Iran did not develop nuclear weapons and reassured DAS Hengel that Poland would continue to support P5 1 efforts. DAS Hengel also discussed energy security and diversification, including increased integration of European markets and political engagement with upstream Caspian producers. DAS Hengel was in Warsaw to participate in a GoP sponsored conference on energy security and climate change. End Summary.

On Potential Investments in Iran  
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[2](#). (SBU) Background: Polish and Iranian press first reported in June that PGNiG was in talks with the Iranians regarding an investment in the Lavan field worth as much as USD 2 billion (REF B). Follow-on conversations with company and government officials confirmed that discussions had taken place, with mixed messages regarding officials' support for Iran sanctions. In those conversations, Poland's energy czar Zajaczkowski, PGNiG management and some mid-level GoP officials argued that Poland would expect compensation if it were to abandon potential investment in Iran (REF C). Zajaczkowski has since left the Prime Minister's Office and is now Ambassador to Romania.

[3](#). (SBU) GoP Assures Us There is No Deal: Polish Treasury officials, who exercise government control of PGNiG, assured DAS Hengel September 9 that the Polish government supported sanctions and that there was no commitment by PGNiG to invest in Iran. Discussions had taken place, but no deals were signed and none would be while the current sanctions regime was in place. This message reinforces previous discussions between Deputy Prime Minister Pawlak and Embassy officials confirming the GoP's support for pressure on Iran after initially mixed messages on potential investments in Iran's Lavan field. Treasury officials assured us they had instructed PGNiG not to commit to anything in Iran after receiving Ambassador Ashe's May 2008 letter warning against investing there. They committed to follow up with PGNiG officials to ensure that company policy remained in line with the government's support for sanctions and that discussions

had not crossed the line from information gathering.

On Energy Security/Diversification  
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14. (C) But What About Polish Diversification Needs?: MFA representatives, PGNiG officials, and to a lesser extent Ministry of Economy officials did mildly push back. They agreed with their Treasury colleagues that there was no imminent deal and supported the US efforts to isolate Iran, but they complained that they lacked good options for diversifying gas supplies. They added that if Iran was off the table for now, they believed that the US should help find alternative sources, in particular facilitating contacts in the Middle East. DAS Hengel presented Polish officials a view on energy security that did not involve relying on actors such as Iran and Russia.

15. (C) Private and public sector officials were generally receptive to DAS Hengel's messages on energy security. Throughout these meetings Hengel stressed the need for Poland and its EU colleagues to:

- complete liberalization of EU energy markets, including to link their electricity and gas grids, thereby creating a single integrated market to better withstand any outside pressure. Hengel noted that today Russia faces 27 separate EU energy markets; if Russia faced one united market the dynamics would change dramatically.

- explore domestic alternatives, including the possibility for unconventional gas, cleaner coal technologies and

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renewables.

- encourage EU leadership to reach out to upstream Caspian producers, to underline their strategic importance to Europe.

- use EU competition tools to thwart any predatory activities by Gazprom.

The greatest resistance to Hengel's message was the idea of plugging into German gas supplies as a means of diversifying.

Polish officials continued to express concern that it would be Russian gas in the pipes, even if the gas was not directly controlled by Russian suppliers and therefore Poland would be better off with an LNG facility and a pipeline connection to Norwegian gas through Denmark. Hengel supported those efforts, but urged linking up to the German grid to provide an additional measure of diversity and security, including in the case of accidents. Conversely, officials seemed genuinely interested in using EU competitiveness tools against Gazprom. They strongly supported greater EU engagement in the Caucasus and a unified EU energy security policy.

16. (C) Comment: The Poles remain anxious regarding their reliance on Russian gas and they clearly see the threat of Russian pressure more vividly than the potential for a nuclear-armed Iran. However, they have unified their official position supporting Iran sanctions and any deal to develop Iranian energy resources seems very unlikely in the near-term. They have also backed away from the view that withholding Iran investments calls for a quid pro quo deal arranged with USG help. Poland is a strong potential ally in focusing EU attention on the need for a unified energy policy, a stronger regulatory approach, and more active engagement in the Caucasus and Caspian.

17. (U) This cable has been cleared by DAS Hengel.  
ASHE